



Independent observer
of the Global Fund

Prospects for London Replenishment Meeting

An analysis of the Fund's financial needs and its likely income suggests that it may well not be possible for the Fund to launch any new rounds in 2006 or 2007. At best, there might be money for one new round in 2007, but none in 2006. This is a very different future than the one hoped for by the Global Fund Secretariat, in which there would be one new round in 2006 and two in 2007.

Donor governments will meet in London on September 5-6 for the last of a series of three "Replenishment" meetings to agree on how much money they will give to the Global Fund in 2006 and 2007. At the first two meetings (in Stockholm in March and in Rome in June), donors focused on learning more about the Fund, its work and its plans. They are now deciding what pledges to announce at the London meeting.

Shortly after the London meeting, the board will approve grants for Round 5 that are anticipated to cost at least \$1.0 billion. As has been the case for some months now, it appears likely that the Fund will only have about \$0.3 billion to pay for that round, because other money received in 2005 must be allocated for renewals of earlier grants. If this shortfall does indeed arise, the board will have two main options. The first is only to approve grants for which there is enough money (which could be under 30% of the grants recommended for approval by the Technical Review Panel). The second is to approve those grants, and then to approve the remaining grants in January 2006, at which point the Fund's Comprehensive Funding Policy will permit 2006 pledges to be taken into consideration. The latter is the more likely decision; but that decision would mean that the Fund's financial needs for 2006 will be correspondingly greater.

In addition, the Fund estimates that it will need \$7.1 billion in 2006 plus 2007 for three new rounds plus renewal of grants from earlier rounds. This is based on the Fund's assumption that it will continue to launch one new round of grants every eight months.

Thus, the total need for 2006+7 is likely to be close to \$8 billion, as shown in Table 1.

Table 1: Global Fund needs, \$ billions

<u>Global Fund needs</u>	<u>2006</u>	<u>2007</u>	<u>Total</u>
<u>Needed for "Phase 1" of one new round in 2006 and two in 2007</u>	<u>1.1</u>	<u>2.6</u>	<u>3.7</u>
<u>Needed for renewals ("Phase 2") of past rounds</u>	<u>1.8</u>	<u>1.6</u>	<u>3.4</u>
<u>Total need</u>	<u>2.9</u>	<u>4.2</u>	<u>7.1</u>
<u>Plus likely Round 5 shortfall, carried over from 2005 to 2006</u>	<u>0.7</u>	<u>0</u>	<u>0.7</u>
<u>Revised need</u>	<u>3.6</u>	<u>4.2</u>	<u>7.8</u>

According to sources within the Secretariat and the board, the total amount pledged at the September Replenishment Meeting by non-US sources is likely to be between \$1.6 and \$2.0 billion for each of 2006 and 2007.

One way of validating that number is as follows: If every donor gives in both 2006 and 2007 the most that it has given in any previous year, the total per year from non-US sources would be \$1.23 billion. However, it is believed that France will give approximately \$270 m. in 2006 and \$360 m. in 2007, up from its 2005 contribution of \$180 m. Also, Japan has promised to give \$500 m. "in the coming years," which is believed to mean over the two years 2006-7, which is a tripling of its 2005 pledge of about \$80 m. Finally, some observers believe it likely that the UK will approximately double its 2005 pledge of about \$90 m. If all those things happen, that would increase the total per year from non-US sources to about \$1.56 b. Further increases by other donors would take the total correspondingly higher.

This leads to the question, how much will the US pledge? The US will not announce its 2006-7 pledges at the Replenishment Meeting, partly because US funding decisions are made through a complex process involving the President, the House, and the Senate. At present, the House has proposed that the US gives \$400 m. in 2006, and the Senate has proposed \$600 m. The final decision will be made jointly some time after Congress returns in early September from its summer recess.

If non-US donors give \$1.8 billion per year, the US would have to give \$0.9 billion per year to maintain its past tradition of providing one third of the total.

In Table 2, we show how much the Fund will receive if non-US donors do indeed give \$1.8 b. per year and if the US gives (a) \$400 m. per year, as proposed for 2006 by the House, which would be 18% of the total, (b) \$600 m. per year, as proposed for 2006 by the Senate, which would be 25% of the total, or (c) \$900 m. per year, which would be 33% of the total.

The table shows, in the last line, how much money will be available for new rounds according to these different scenarios.

Table 2: Possible Global Fund revenues, \$ billions,

for different US choices of percent of total revenue to contribute

<u>Possible Global Fund revenues</u>	<u>2006</u>	<u>2007</u>	<u>Total</u>						
<u>US share of total revenue</u>	<u>18%</u>	<u>25%</u>	<u>33%</u>	<u>18%</u>	<u>25%</u>	<u>33%</u>	<u>18%</u>	<u>25%</u>	<u>33%</u>
<u>Possible pledges: Non-US</u>									
<u>(\$1-6-2.0 b./year, but assume here \$1.8 b. per year)</u>	<u>1.8</u>	<u>1.8</u>	<u>3.6</u>						
<u>Possible pledges: US (at 18%, 25% or 33% of total)</u>	<u>0.4</u>	<u>0.6</u>	<u>0.9</u>	<u>0.4</u>	<u>0.6</u>	<u>0.9</u>	<u>0.8</u>	<u>1.2</u>	<u>1.8</u>
<u>Total pledges</u>	<u>2.2</u>	<u>2.4</u>	<u>2.7</u>	<u>2.2</u>	<u>2.4</u>	<u>2.7</u>	<u>4.4</u>	<u>4.8</u>	<u>5.4</u>
<u>Needed for renewals plus Round 5 shortfall</u>									
<u>(from Table 1)</u>	<u>2.5</u>	<u>1.6</u>	<u>4.1</u>						
<u>Thus: Available for new rounds after Round 5</u>									
<u>(Note: Each new round costs at least \$1 b.)</u>	<u>-0.3</u>	<u>-0.1</u>	<u>0.2</u>	<u>0.6</u>	<u>0.8</u>	<u>1.1</u>	<u>0.3</u>	<u>0.7</u>	<u>1.3</u>

What all this leads to is that at the low end, it will not be possible to have any new rounds in 2006 or 2007; at the mid or high end, maybe there could be one new round in 2007, but it is hard to see how there could be a new round in 2006.

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